

**BOSTON UNIVERSITY
RESPONSE TO FEBRUARY 8, 2016, LETTER
FROM SENATE FINANCE COMMITTEE CHAIRMAN HATCH,
HOUSE WAYS AND MEANS COMMITTEE CHAIRMAN BRADY, AND
HOUSE WAYS AND MEANS OVERSIGHT SUBCOMMITTEE CHAIRMAN ROSKAM
TO PRESIDENT ROBERT A. BROWN**

I. General Information on Responses

The Committee has requested the University to “answer each question below for the past three tax years, and, to the extent possible, for the current tax year, unless otherwise specified.”

In response to that request, information is compiled for the fiscal years ending June 30, 2015, 2014, 2013, and for the period from July 1, 2015 to January 31, 2016.

For ease of reference, each of the thirteen numbered questions from the February 8, 2016, letter is reproduced verbatim in bold type, though in many instances, we have broken out sub-questions to clarify the exact part of the numbered question to which we are responding.

II. Questions from Committee

ENDOWMENT MANAGEMENT

QUESTION 1:

What categories of assets are included in your college or university's endowment?

For each category, please indicate the amount of funds that are:

- a. unrestricted;**
- b. permanently restricted by donors;**
- c. temporarily restricted by donors;**
- d. permanently restricted by your college or university (quasi-endowments); and**
- e. temporarily restricted by your college or university.**

The amount of funds that are (a) unrestricted (b) permanently restricted by donors, and (c) temporarily restricted by donors are shown in Table 1A.

TABLE 1A
Categories of Net Assets Included in the Endowment
In thousands of dollars

	Unaudited - Period from July 1, 2015 to January 31, 2016	Audited - as of June 30		
		2015	2014	2013
Unrestricted	\$ 573,664	\$ 592,240	\$ 597,298	\$ 521,917
Permanently Restricted	501,510	463,515	418,691	378,421
Temporarily Restricted	418,194	520,839	531,504	435,323
	<u>\$ 1,493,368</u>	<u>\$ 1,576,594</u>	<u>\$ 1,547,493</u>	<u>\$ 1,335,661</u>

In response to sub-questions (d) and (e), Boston University has no quasi-endowment funds that are permanently or temporarily restricted by the University, as all of the University's quasi-endowments are categorized as unrestricted.

f. For each restricted asset, please describe the uses for which the funds are restricted and the amount of the fair market value of the endowment apportioned to each use.

The purpose restrictions for each category of funds in the endowment (temporarily restricted, permanently restricted, unrestricted) as well as the fair market value of the net assets of funds apportioned by purpose is shown in Tables 1B through 1E.

These tables show that the majority of our endowment is either permanently or temporarily restricted due to specific purpose restrictions of donors. As of June 30, 2015, only 38% of the endowment was composed of unrestricted funds.

TABLE 1B
Endowment Purpose Restrictions (Net Assets) – As of January 31, 2016
In thousands of dollars

	Unaudited - As of January 31, 2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment Principal				
Program and budget support	\$ 400,862	\$ 108,328	\$ 139,618	\$ 648,808
Professorships	77,657	103,472	149,081	330,210
Research	10,933	4,793	17,419	33,145
Student support				
Scholarships - Financial aid	66,517	141,809	160,182	368,508
Fellowship	2,578	11,389	14,687	28,654
Loan Funds	2,072	7,397	5,335	14,804
Student support subtotal	71,167	160,595	180,204	411,966
Award/Prizes	3,370	8,414	8,329	20,113
Lectureship	6,785	3,929	4,515	15,229
Library Fund/Books	2,890	7,797	2,344	13,031
Annuities		20,866		20,866
Total Endowment Funds	<u>\$ 573,664</u>	<u>\$ 418,194</u>	<u>\$ 501,510</u>	<u>\$ 1,493,368</u>

TABLE 1C
Endowment Purpose Restrictions (Net Assets) – As of June 30, 2015
In thousands of dollars

	Audited - As of June 30, 2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment Principal				
Program and budget support	\$ 403,548	\$ 143,516	\$ 120,757	\$ 667,821
Professorships	85,736	129,441	140,000	355,177
Research	12,021	6,680	12,546	31,247
Student support				
Scholarships - Financial aid	71,684	170,806	156,132	398,622
Fellowship	2,842	14,049	14,571	31,462
Loan Funds	2,312	8,676	5,335	16,323
Student support subtotal	76,838	193,531	176,038	446,407
Award/Prizes	3,712	10,037	7,738	21,487
Lectureship	7,200	4,088	4,094	15,382
Library Fund/Books	3,185	8,834	2,342	14,361
Annuities		24,712		24,712
Total Endowment Funds	\$ 592,240	\$ 520,839	\$ 463,515	\$ 1,576,594

TABLE 1D
Endowment Purpose Restrictions (Net Assets) – As of June 30, 2014
In thousands of dollars

	Audited - As of June 30, 2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment Principal				
Program and budget support	\$ 413,250	\$ 150,655	\$ 106,088	\$ 669,993
Professorships	82,515	127,893	125,205	335,613
Research	12,150	5,382	9,988	27,520
Student support				
Scholarships - Financial aid	70,293	176,498	145,479	392,270
Fellowship	2,566	14,787	13,461	30,814
Loan Funds	2,356	9,216	5,594	17,166
Student support subtotal	75,215	200,501	164,534	440,250
Award/Prizes	3,778	10,366	7,565	21,709
Lectureship	7,150	4,232	2,973	14,355
Library Fund/Books	3,240	8,997	2,338	14,575
Annuities		23,478		23,478
Total Endowment Funds	\$ 597,298	\$ 531,504	\$ 418,691	\$ 1,547,493

TABLE 1E
Endowment Purpose Restrictions (Net Assets) – As of June 30, 2013
In thousands of dollars

	Audited - As of June 30, 2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment Principal				
Program and budget support	\$ 361,577	\$ 134,736	\$ 89,518	\$ 585,831
Professorships	64,669	101,460	117,043	283,172
Research	18,537	4,699	6,008	29,244
Student support				
Scholarships - Financial aid	60,321	142,247	136,918	339,486
Fellowship	2,308	11,689	12,131	26,128
Loan Funds	2,088	7,897	5,634	15,619
Student support subtotal	64,717	161,833	154,683	381,233
Award/Prizes	3,135	8,405	6,490	18,030
Lectureship	6,410	3,435	2,341	12,186
Library Fund/Books	2,872	7,710	2,338	12,920
Annuities		13,045		13,045
Total Endowment Funds	<u>\$ 521,917</u>	<u>\$ 435,323</u>	<u>\$ 378,421</u>	<u>\$ 1,335,661</u>

How and why were the restrictions put into place?

Restricted gifts are specified in writing by the donor to benefit specific areas of need, financial aid, capital projects, departments, programs, or other purposes. The University recognizes and respects the right of a donor to channel gifts to a favored, restricted purpose, as long as the purpose is consistent with the education, research, and service mission of the University.

University policy requires that the terms of a restricted gift be documented in the form of a written gift agreement; when a gift is accepted, the University assumes both a legal and an ethical obligation to conform to the wishes of the donor.

When a donor makes a gift with the stipulation that it be used to create a permanent endowment, with the original gift to be preserved in perpetuity, the University takes on the role of fiduciary in relation to the funds given. The University's responsibilities for the management and preservation of its permanent endowment funds as a fiduciary are defined in the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). UPMIFA provides guidance on investment decisions and endowment expenditures for nonprofit and charitable organizations. The current version of this law was approved in 2006 by the Uniform Law Commission, a non-profit, unincorporated association whose purpose is to provide states with draft legislation intended to bring clarity and stability to critical areas of state statutory law for which uniformity is desirable and practical. Since 2006, UPMIFA has been adopted in 49 states, including Massachusetts.

Per Financial Accounting Standards Board ("FASB") existing financial reporting standards, monies arising from endowment gifts are classified as either permanently restricted or temporarily restricted net assets.

Permanently restricted net assets consist of the historical dollar value (original gift amount) of a gift required by the donor to be permanently retained.

Endowment-related, temporarily restricted net assets consist of all net investment return earned on the original endowment gift that has not yet been distributed for spending. These temporarily restricted funds may be spent only for the donor-specified purpose and are subject to the UPMIFA standard of prudence, intending to preserve the spending power of the endowment over the long term.

QUESTION 2:

Does your college or university hold any investments that are not included in the endowment? If so, what are they, and what are their fair market values and basis?

Yes, the University holds investments that are not included in the endowment, including working capital, restricted assets, and non-core real estate and real estate partnerships.

At June 30, 2015, **working capital** represented 27% of the University's annual operating expenses. **Restricted assets** consist primarily of balances required to be held in relation to the University's borrowings. The balances required vary with changes in the capital market interest rate environment. University borrowings have been undertaken to finance academic, research, and student facilities. **Non-core real estate** consists of 36 commercial and residential properties, located generally contiguous to the campus area, held to provide a safe and engaging urban environment and promoting uses that complement the community and link the surrounding environment to the core campus.

The non-endowment investments are presented in Table 2 at fair market value except for the real estate partnerships which are accounted for under the equity method, which approximates cost.

For all of the items except short-term investments and non-core real estate, the cost basis equals the fair market value. The cost basis for short-term investments was \$1,720,000, \$2,179,000, \$1,677,000, and \$1,204,000 as of January 31, 2016, June 30, 2015, 2014, and 2013, respectively. The cost basis for non-core investments was \$152,541,000, \$166,449,000, \$166,271,000 and \$164,977,000 as of January 31, 2016, June 30, 2015, 2014, and 2013, respectively.

TABLE 2
Investments Not Included in the Endowment
In thousands of dollars

	As of	As of June 30		
	January 31, 2016	2015	2014	2013
Investments				
<u>Not included in the Endowment:</u>				
Working Capital				
Cash and cash equivalents	\$ 703,201	\$ 448,467	\$ 419,234	\$ 386,969
Short term investments	1,743	2,202	1,705	1,454
Working capital subtotal	704,944	450,669	420,939	388,423
Restricted assets				
Swap margin call postings	233,468	163,604	106,494	91,500
Cash restricted by terms of debt agreements	461	461	22,820	92,513
Restricted assets subtotal	233,929	164,065	129,314	184,013
Non-core real estate and real estate partnerships				
Non-core real estate	220,967	222,561	216,871	211,601
Real estate partnerships	30,014	30,014	27,738	25,518
Real estate related subtotal	250,981	252,575	244,609	237,119
Investments <u>not</u> included in the endowment	\$ 1,189,854	\$ 867,309	\$ 794,862	\$ 809,555

How are they used to further the educational purpose of the college or university?

All University investments are used to further the University's mission and to provide the flexibility and freedom to increase student financial aid, embark on new disciplines, hire additional faculty, and build or update facilities. These investments ensure regular funding levels for University departments, programs, and scholarships, and help mitigate significant increases in tuition by supporting University operations that would otherwise be paid for with student tuition and fees.

QUESTION 3:

What is your endowment size, as measured by total fair market value of its assets?

The endowment size, as measured by total fair market value of its assets is shown in Table 3A. Although the endowment is growing, because of the large size of our student body (28,052 Full Time Equivalent in fall 2015), the endowment-per-student of \$58,600 puts us in the lowest quartile of this measure when compared to peer universities with endowments of similar size.

TABLE 3A
Endowment Size as Measured by Total Fair Market Value of the Endowment Assets
In thousands of dollars

Unaudited - As of January 31, 2016	Audited - As of June 30		
	2015	2014	2013
<u>\$ 1,555,464</u>	<u>\$ 1,644,117</u>	<u>\$ 1,616,004</u>	<u>\$ 1,403,061</u>

What has been the net growth and net investment return on your endowment each year?

The net growth and net investment return, as well as the real (after inflation) net investment return, are shown in Table 3B.

Net growth reflects additions to the endowment, spending distributions, and the impact of net investment return. The **net investment returns** reflect returns to the Pooled Endowment as reported to the National Association of College and University Business Officers (NACUBO).

The University meets its fiduciary duty when the inflation-adjusted or real purchasing power of an endowment is preserved by earning a real net investment return that covers the associated spending distributions, over the long term. New gifts are not included in this construct as they support new initiatives and are not used to maintain the real purchasing power of pre-existing endowments.

The **real (after inflation) net investment return** reflects net returns adjusted for the effects of inflation. To measure inflation, the University uses the Higher Education Price Index ("HEPI"),

which is designed to more accurately reflect the price pressures faced by a university than the Consumer Price Index.

Table 3B shows that when adjusted for HEPI for the three years and seven months covered in the table, real purchasing power of the endowment declined. Although the average annual net investment return over this period was 5.8%, the average annual **real** net investment return was 3.6%, which is smaller than the University's 4% guideline spending rate as described in Table 6A. When there are large real gains, such as in fiscal years 2013 and 2014, the return in excess of guideline spending is available to cover spending distributions in years with very small or negative real returns, such as in fiscal year 2015 as well as in fiscal year 2016 through January.

TABLE 3B
Net Growth (in thousands of dollars), Net Investment Return, and Real (After Inflation) Net Investment Return

	For the period July 1, 2015 to January 31, 2016	For the years ending June 30		
		2015	2014	2013
Net growth	\$ (88,653)	\$ 28,113	\$ 212,943	\$ 212,549
Net investment return	-8.4%	2.4%	16.9%	11.7%
Real (after inflation) net investment return	-9.5%	0.3%	13.6%	9.9%

QUESTION 4:

How much has your college or university spent each year to manage the endowment, and how many staff and contractors are employed to manage the endowment?

The University manages its endowment using a combination of internal and external resources. The cost of the internal Boston University Investment Office is shown in Table 4A below. The University's Investment Office had a staff of 6 in 2013 and 2014, and grew to a staff of 7 in 2015 and 2016. External fund managers, by year, were 85 managers in 2013; 95 managers in 2014; and 101 managers in 2015 and 2016.

TABLE 4A
Cost of the Boston University Investment Office
In thousands of dollars

For the period July 1, 2015 to January 31, 2016	For the fiscal year ending June 30		
	2015	2014	2013
\$ 2,071	\$ 3,571	\$ 3,299	\$ 3,333

For any fees paid to nonemployees for investment advice, asset management, or otherwise, please provide detail on the amounts paid, to whom, and the fee arrangement.

Investment management fees paid to non-employees approximated 1% of the total fair market value of the University's endowment for each of the three years ending June 30, 2015, 2014, 2013, and for the period from July 1, 2015 to January 31, 2016. The types of services obtained and the amounts paid are shown in Table 4B below.

TABLE 4B
Non-employee Services and Payments

Nature of service	Fee arrangement	Number of vendors				Amounts paid, in thousands			
		For the period July 1, 2015 to January 31, 2016	For the years ending June 30 2015	2014	2013	For the period July 1, 2015 to January 31, 2016	2015	2014	2013
Custodian/Performance reporting	Transaction-based fee and asset-based fee	2	2	2	2	\$ 153	\$ 374	\$ 413	\$ 400
Investment Manager	Asset/commitment-based management fees	101	101	95	85	\$ 10,854	\$ 17,935	\$ 15,352	\$ 12,592
Professional Services	Fixed fee	3	2	2	1	\$ 6	\$ 260	\$ 9	\$ 3
Data provider	Fixed fee	3	3	3	2	\$ 4	\$ 5	\$ 5	\$ 5
Databases and/or Analytical tools	Fixed fee, per terminal access fee, commitment-base fee and per item fee	6	7	5	4	\$ 45	\$ 549	\$ 475	\$ 236

QUESTION 5:

If your endowment is required to file a Form 990 separately from your college or university's Form 990, please provide the endowment entity name(s) and Employment Identification Number.

This is not applicable at Boston University, as the University's endowment is not a separate entity and is reflected in full in the University's Form 990.

ENDOWMENT SPENDING AND USE

QUESTION 6:

How does your college or university determine what percentage of the endowment will be paid out each year?

Each year, Boston University seeks to benefit from stable and increasing operating budget support from its endowment in order to be in a position to maintain or increase the quality of its educational and research activities. However, endowment spending policies that tie the annual spending amount to only the most recent endowment market value are destabilizing; they import investment market volatility into the operating budget.

To reduce the amount of market volatility that is imported, the University ties its endowment distribution to a 20-quarter average market value which (a) smooths out the effects of investment market gyrations and (b) prevents the University from increasing the endowment's budget support by too much when the stock market has a really good year(s) and then having to reduce it by a lot when the stock market has a bad year(s). In essence, the University's endowment distribution policy uses an average of its returns in both good and bad years to allow it to meet its goal of providing stable and increasing operating support each year; the averaging mechanism allows the University to hold a bit back during strong or bull markets in order to have the flexibility to continue to distribute at the same (or greater levels) in sideways or bear markets.

Appendix A fully describes the University's "Endowment Income Distribution Policy" for its Pooled Endowment. To facilitate the University's fiscal year budgeting process, which concludes each spring before the fiscal year starts, the University's spending policy references an endowment value average ending on December 31st, prior to the start of a given fiscal year (therefore, all references to "December 31" in the following policy description refer to this date). The current University policy has set the "Authorized Guideline Distribution Rate" at 4% of the "Applicable Market Value," which is defined as the average of the quarterly market values per share of the Pooled Endowment for the 20 preceding quarters as of December 31. The resulting calculation ("Guideline Distribution per Share") informs and guides the *actual* authorized distribution amount but does not function as a requirement.

The senior leadership of the University reviews the current University, budgetary, and capital market circumstances and recommends, for the Executive Committee of the Board of Trustees' approval, an "Effective Distribution Amount" per share, expressed in dollars. The "Effective Distribution Rate" is defined as the Effective Distribution Amount divided by the ending period (December 31) per share market value of the Pooled Endowment. The University policy requires that the resulting calculation, the "Effective Distribution Rate," must be within a range of 3% to 5%.

Table 6A below displays the University's Approved/Actual Distribution Amount per share, which has increased every year in dollar terms, and compares (1) the **Approved Distribution Rate** to the 4% Authorized Guideline Distribution Rate and (2) the Approved/Actual **Effective Distribution Rate** to the required 3–5% range.

Table 6A
Spending Policy Compliance

Spending Policy Compliance				
	Pooled Endowment Distribution Per Share (\$)			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Approved Effective <u>Distribution Amount</u>	0.530	0.510	0.495	0.480
	Distribution Rate: Percent of Applicable Market Value			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Approved <u>Distribution Rate</u>	3.9%	4.0%	4.0%	3.8%
<u>Authorized</u> Guideline Distribution Rate	4.0%	4.0%	4.0%	4.0%
	Percent of 12/31-Prior-to-Fiscal-Year-Start Per Share Market Value			
Approved <u>Effective Distribution Rate</u>	3.5%	3.4%	3.7%	3.8%
Compliance With Policy's 3-5% Spot Rate Range	Yes	Yes	Yes	Yes

If any, what has been the target endowment payout as a percentage of the endowment's beginning balance each year? If that answer differs from the percentage paid out, please explain why.

The University does not calculate a target endowment payout as a percentage of the endowment's beginning balance each year. Instead, as described above, it has a Guideline Distribution Rate of 4% of the Applicable Market Value. However, for your information, Table 6B below presents the University's Effective Distribution Amount expressed as a percent of each fiscal year's beginning Pooled Endowment value or balance ("**FY Beginning Spot Rate**").

Table 6B
Effective Distribution per Share
As a Percent of Beginning Fiscal Year Market Value per Share

	Percent of Beginning Balance Fiscal Year (6/30-Prior-to-Fiscal-Year-Start)			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
FY Beginning Spot Rate	3.5%	3.3%	3.6%	3.7%

The difference between each fiscal year's "FY Beginning Spot Rate" in Table 6B above and Boston University's "Effective Distribution Rate" in the fourth line of Table 6A above is due to the net investment return earned and the spending distributions made between December 31 (the date used by the University to determine the Effective Distribution Amounts and Rates and shown in Table 6A) and June 30 (the date requested in Question 6 and shown in Table 6B) before the start of each fiscal year.

Please attach any payout policies or guidance.

A copy of the University's Pooled Endowment Income Distribution Policy is attached as Appendix A.

QUESTION 7:

Does your college or university have policies regarding spending the endowment principal?

Yes, permanently restricted endowment principal may not be spent under University policy and Massachusetts law except (a) as allowed under MA UPMIFA in certain clearly defined circumstances or (b) when permission has been granted by the donor or the courts. In no other circumstances has the University expended permanently restricted endowment principal.

Has your college or university ever spent endowment principal? If so, under what circumstances?

By University policy, decapitalization of a quasi-endowment (unrestricted) account will only be considered in unusual circumstances. Approval by the President is required and has been granted only rarely; for example, it has not been granted within the past three fiscal years or the current fiscal year to date, the period about which you have inquired.

QUESTION 8:

How much and what percentage of the endowment's beginning balance has your college or university spent each year? How much and what percentage of the endowment's return on investment has your college or university spent each year?

Table 8 shows the percent of the Pooled Endowment's beginning balance and return on investment spent each year.

University policy requires spending distributions attributable to shares from new donor-restricted and institution-designated endowment funds during the first six months after establishment to be reinvested in order to provide for protection of the original endowment amount during periods of near-term volatility and allow the potential for near-term growth to create a small cushion prior to beginning spending distributions. In addition, some donors stipulate that a portion of the annual distribution be reinvested, usually in order to build the principal amount to the level required to fund a scholarship or a professorship.

TABLE 8
Amount and Percent Spending of Balance and Return on Investment
In thousands of dollars

	For the period July 1, 2015 to January 31, 2016	For the years ending June 30		
		2015	2014	2013
Total endowment distribution	\$ 31,738	\$ 51,429	\$ 47,977	\$ 43,752
Less: reinvested endowment distribution	(2,798)	(4,265)	(4,182)	(5,532)
Net endowment distribution spent	<u>\$ 28,940</u>	<u>\$ 47,164</u>	<u>\$ 43,795</u>	<u>\$ 38,220</u>
Percentage of pooled endowment's beginning balance spent each year	<u>1.9%</u>	<u>3.1%</u>	<u>3.4%</u>	<u>3.5%</u>
Percentage of returns spent	<u>negative returns</u>	<u>192%</u>	<u>21%</u>	<u>29%</u>
Endowment returns	<u>\$ (114,723)</u>	<u>\$ 24,537</u>	<u>\$ 210,144</u>	<u>\$ 130,582</u>

The percentages of the Pooled Endowment's beginning balance spent each year shown in Table 8 above are less than the comparable rates shown in Table 6B above due to two factors. The first is that the University's policy requires the spending distributions to be reinvested during the first six months following endowment establishment, as described previously. Reinvested distributions, which reduced the spending percentages, were 0.3% for the fiscal years 2016, 2015, 2014, and 0.5% for fiscal year 2013. The second factor, distributions associated with new endowments established during the fiscal year which were not included in the Pooled Endowment's beginning balance, partially offsets the first. The impact of this factor has been +0.1% for fiscal years 2016, 2015, 2014, and +0.3% for fiscal year 2013.

QUESTION 9:

What percentage of your endowment does your college or university devote to financial aid for student tuition? How much for other forms of student financial aid? Please specify the types of non-tuition financial aid provided.

As shown in Table 9A below, the University devotes approximately 28% of endowment net assets to financial aid. Of that total, approximately 25% is dedicated to financial aid for student tuition, and an additional 3% of endowment net assets are dedicated to non-tuition financial aid in the form of fellowship stipends and student loan support.

In addition to financial aid funded by the University's endowment, the University funds a considerable amount of financial aid from its unrestricted operating budget in the amounts reflected in Table 9B below. Total financial aid granted to students by the University, including both graduate and undergraduate student aid, was \$326.1 million in fiscal year 2015, which includes amounts funded from the endowment as well as from the University's general funds. Of this amount, \$311.3 million was for tuition, and \$14.8 million for room and board, student fees, books, and other living expenses.

TABLE 9A
Percent of Endowment Net Assets Devoted to Financial Aid
In thousands of dollars

	For the years ending June 30		
	2015	2014	2013
Percentage of endowment net assets devoted to tuition	25%	25%	25%
Percentage of endowment net assets devoted to other forms of financial aid	3%	3%	3%
Total percentage of endowment net assets devoted to financial aid	28%	28%	28%

Table 9B
Total Financial Aid – Graduate and Undergraduate
In thousands of dollars

	For the years ending June 30		
	2015	2014	2013
Financial aid - undergraduate and graduate			
Tuition	\$ 311,267	\$ 299,838	\$ 291,566
Room and board	4,670	4,420	4,426
Fellowships	9,639	8,038	5,916
Loans	563	493	496
Total Financial Aid - undergraduate and graduate	\$ 326,139	\$ 312,789	\$ 302,404

For the past three fiscal years, approximately two-thirds of the total financial aid awarded by the University has gone to undergraduates. Student financial aid, in the form of need-based and merit-based grants and scholarships, is a critical part of the strategy to help students and parents afford a Boston University undergraduate education. The sources of funding for undergraduate aid awards for the past three fiscal years are shown in Table 9C below.

TABLE 9C
Sources of Funding for Undergraduate Financial Aid
In thousands of dollars

	For the years ending June 30		
	2015	2014	2013
Sources of funding of financial aid - undergraduate			
Income from endowment funds for financial aid			
Funds functioning as endowment/Designated	1,540	1,453	1,050
Permanently restricted	5,669	5,282	4,981
Subtotal - Income from endowment funds	7,209	6,735	6,031
Current gifts	263	221	465
General operating budget	198,639	195,634	191,817
Total sources of funding of undergraduate financial aid*	\$ 206,111	\$ 202,590	\$ 198,313

*Totals for each year include approximately \$2.4 million of Boston University matching funds for federal aid programs.

As shown in Table 9C, most of our undergraduate financial aid is funded from our operating budget. For example, in fiscal year 2015, the University spent \$206 million on undergraduate financial aid. Of this total, \$7 million, or approximately 3%, represents income from endowment funds that are permanently restricted or internally designated for financial aid, with the remainder (\$199 million) coming from the University's general operating budget.

Of the \$51 million distributed from the endowment in fiscal year 2015, only \$19 million or 38% was unrestricted. Even if the University were to use every *unrestricted* dollar in its endowment distribution for financial aid (in addition to the \$7 million we already spend from restricted funds), it would cover only an additional 9% of the total amount of \$206 million that we provided for financial aid in fiscal year 2015. (It would also mean we couldn't devote any unrestricted resources to research, teaching, or other charitable activities.) Therefore, in order to help students afford a BU education, the University has chosen to allocate significant undergraduate financial aid from our operating budget.

We continue to prioritize growing our undergraduate financial aid. In the current academic year (2015-2016), we will give \$216 million in undergraduate financial aid, with the average aid award being \$26,500. For next fall (academic year 2016-2017), we are increasing the aid available to incoming freshmen by 3.4% and expect to give out a total of \$230 million in financial aid to all undergraduates. Our commitment to financial support for BU undergraduates allows us to recruit a diverse class. For example, for the 2014-2015 school year, 554 members (14%) of the incoming freshman class were low-income, as defined by Pell Grant eligibility.

Our goal is also to increase the amount of financial aid funded from the endowment. To that end, Boston University's first comprehensive campaign, which we started in 2012, promotes the culture of charitable giving expressly for undergraduate scholarships through the Century Challenge. Under the terms of the Century Challenge, the University provides a one-to-one match of the distributed income from all new endowed undergraduate scholarship funds of \$100,000 or more for a period of 100 years, thereby doubling the good that is done in the donor's name for a full century. The match will apply to the first \$100 million of principal gifts received through the Century Challenge. To date, the University has raised \$17.3 million towards this goal and has established 76 new undergraduate scholarships.

In our effort to increase access, the University has focused in particular on the local Boston community through a partnership with the Boston Public Schools ("BPS"). This partnership includes outreach, tutoring, sponsorship of the College Advising Corps, and financial aid for graduates of the Boston Public Schools who attend Boston University.

Financial aid for BPS students is of two types: The Thomas M. Menino Scholarship Program awards 25 full-tuition scholarships annually to students from BPS high schools. Last year these scholarships amounted to \$4.2 million from Boston University. Since the inception of the program in the 1970s, \$153 million in scholarship grants have been awarded to 1,871 seniors graduating from BPS.

Additionally, through the BU Community Service Award, Boston University commits to meeting the full calculated financial eligibility, without loans, of any admitted BPS high school graduate. In fiscal year 2015 the University awarded \$6.3 million of need-based financial aid to 157 undergraduate students in support of this initiative.

In addition to our BPS partnership, every year, Boston University awards 40 full-tuition scholarships to undergraduate students from Atlanta, Georgia, in partnership with the Posse Foundation, which supports students who may be overlooked by traditional college processes. The value of these awards in fiscal year 2015 totaled \$1.8 million in scholarships.

Students receiving aid through the Community Service Award and Posse Foundation programs also receive individualized mentoring and program support to help ensure their success.

QUESTION 10:

Does your college or university have policies regarding whether it is allowed to accept funds restricted to a specific purpose?

Yes, Boston University has policies regarding the acceptance of restricted funds. The University recognizes and respects the right of a donor to channel gifts to a favored, restricted purpose, as long as the purpose is consistent with the education, research, and service mission of the University, applicable law, and University policy. Funds restricted by donors are of two types: current restricted funds and restricted endowments.

Current restricted funds have donor-imposed limitations placed on their use but are intended for current purposes, such as scholarships, program support, research, or facility improvements. The minimum amount required to establish a restricted current use fund is \$10,000 in the form of a gift or pledge. Use of the gift or fund may not be administered by a donor, group of donors, or others outside of the University. The terms of and restrictions on the gift that are stipulated by the donor must be set forth in writing. In the preparation and negotiation of such documents, the University seeks to ensure maximum use and spending flexibility consistent with donor intent.

Restricted endowments are amounts that have been contributed with donor-specified restrictions that the gift be invested in perpetuity. The expendable income from such endowment funds may also be restricted for specific purposes by the donor. Only donors can permanently endow a fund.

Given the permanent nature of an endowment gift, special policies have been developed to ensure the restrictions are appropriately documented and consistent with the University's mission over the long term. These include the following:

- When a restricted gift is accepted, the University assumes both a legal and an ethical obligation to conform to the wishes of the donor. Therefore, all restricted gifts requiring the creation of a new endowed fund must be documented in writing from the donor through a formal gift/fund agreement signed by the donor and the University.
- The agreement outlining the donor's intent, gift amount, and payment schedule, and other terms and restrictions must be forwarded to the Stewardship & Donor Relations office for review prior to obtaining the donor's signature.
- This review will seek to determine whether the donor's wishes for the use of the gift are broad enough in scope to allow for use in perpetuity and, wherever possible, are stated as preferences rather than legally binding restrictions. When the terms of a gift are so restricted as to present a serious risk that changed circumstances could render its use extremely difficult or impossible, donors are encouraged to include language that will permit an alternative use that, in the University's judgment, most closely approximates the donor's expressed intent.

- The minimum required to establish any endowed fund is \$100,000.
- An endowment fund will be established and gifts accepted to it only if the fund is expected to reach the required capitalization level within five years, unless an exception is approved by the Senior Vice President for Development & Alumni Relations and/or the President.
- Only the President or Senior Vice President, Chief Financial Officer, and Treasurer, or his/her designee, may sign gift agreements on behalf of the University.
- All new endowments must be presented to and approved by the Executive Committee of the Board of Trustees.

Has your college or university ever declined a donation because it was restricted to a certain purpose? If so, please describe those specific scenarios in which your school rejected a donation.

Boston University will not accept a donation with restrictions that are in conflict with applicable law or the following University policies:

- Gifts that necessitate illegal or discriminatory use or administration violate University policy and will not be accepted;
- A restriction on the use or administration of a gift tied to the incumbency of any individual in a University position will not be accepted;
- Gifts that are contingent upon the admission of one or more specific student candidates will not be accepted;
- Gifts whose administration and use are to be directed by donors or other third parties will not be accepted. All gifts solicited in the name of, and treated as a gift to, the University will be received and expended by the University through regular channels;
- Gifts to support scholarships, fellowships and other forms of financial aid to students: (1) cannot be limited or directed to relatives or descendants of the donor, (2) to the fullest extent possible should avoid restrictions that would impair desirable flexibility in the administration of University resources, and (3) may not designate the donor as the administrator of the funds;
- The University prohibits the use of donated funds from or for employees (or substituted equivalent amounts from institutional funds) to fund any or all of the employee/donor's salary. Donated funds may be used for the employee/donor's travel only when it is determined that such travel is exclusively for University business;
- Gifts from faculty members to support their own research can only be accepted if the gift is for a specific University purpose. Contributions cannot be set aside for the specific use of a person or persons, but can be directed to a specific department, program, or research area.

From time to time, the University is approached by a donor who wishes to make a gift for a purpose not consistent with the University's mission and/or the gift policies described above. In most situations, the University is able to work with the individual to find a solution that will accomplish the donor's philanthropic intent while remaining consistent with its mission and gift policies. If this cannot be accomplished, such gifts have not been accepted.

In accordance with the above policy, the University has rejected a proffered scholarship donation that the donor wanted to be awarded to a specific named student and donations in which the donor sought to benefit financially from the University's use of the funds. We have also declined offers of gifts that were contingent upon a favorable admissions decision, and donations where the donor wished to maintain an inappropriate level of control over the use of the gift.

QUESTION 11:

How much and what percentage of your college or university's endowment is invested in real property (not including REITs or other publicly-traded securities).

The University's pooled endowment does not directly hold any real property; instead it holds limited partnership interests that are managed by external investment managers who build portfolios of real property for the partnerships. These interests totaled \$69,833,000, \$70,943,000, \$77,071,000, and \$75,125,000 as of January 31, 2016, and June 30, 2015, 2014, and 2013, respectively, representing 4.5%, 4.3%, 4.8%, and 5.4% of the endowment assets as of January 31, 2016, June 30, 2015, 2014, and 2013, respectively.

The University currently holds one commercial property as part of non-pooled endowment assets, received as a restricted gift from a donor subject to the restriction that it may not be sold until certain conditions are met. The valuation of this property is \$2,489,000 as of January 31, 2016, and June 30, 2015, 2014, and 2013, respectively, or 0.16%, 0.15%, 0.16%, and 0.18% of the endowment market value as of January 31, 2016, and June 30, 2015, 2014, and 2013, respectively.

Please list and describe your college or university's real estate holdings, including real estate held by the college or university, the endowment, and all related entities.

Boston University owns over 300 buildings, with a net book value of \$2.185 billion as of June 30, 2015. These holdings fall into the following categories:

- Instruction and research – used to carry out academic instruction and research.
- Dormitories – used to house students.
- Dining services – used for cafeterias and other types of food offerings.
- Rental properties – used to rent apartments to students, faculty, and staff.
- Non-core properties – held to provide a safe and engaging urban environment promoting uses that complement the community and link the surrounding environment to the core campus.
- Restricted Endowment Gift – one residential property, the proceeds from the sale of which will be invested in the endowment when the donor's time restriction has been met and the property is sold.

If the college or university has made any Payments in Lieu of Taxes, please provide the date and amount of the payment donations.

Under a four-year-old program, the City of Boston asks nonprofits with more than \$15 million of tax-exempt property in Boston to contribute funds twice annually to help offset the cost of police

and fire protection, snow removal, and other services. The payments are voluntary and are referred to as “Payments in Lieu of Taxes” (PILOT). Of the eight colleges in Boston with the highest amount of tax exempt property, Boston University paid the greatest percentage of the request, and the highest absolute dollar amount. The payment reflected through January 2016 in Table 11 below is 50% of the amount expected to be paid in fiscal year 2016.

TABLE 11
PILOT Payments
In thousands of dollars

For the period July 1, 2015 to January 31, 2016	For the years ending June 30		
	2015	2014	2013
\$ 3,329	\$ 6,586	\$ 6,498	\$ 5,725

DONATIONS

QUESTION 12:

Does your college or university grant naming rights to donors based on certain donation levels? If so, please describe the naming rights program, including how much and what percentage of any naming rights donations your college or university has used for tuition assistance.

Boston University has a naming rights program that recognizes naming opportunities as one of the highest forms of public recognition available at the University and allows us to celebrate the generosity of donors whose support is invaluable to the ongoing mission of the University. This form of recognition not only demonstrates institutional appreciation of donors, but also educates a broader constituency about the impact and importance of philanthropy at the University.

From July 1, 2013 through January 31, 2016, \$25,852,713 or 33% of total donations (including payments on pledges) received for named endowments, programs, and centers were for tuition assistance in the form of scholarships.

The naming of any Boston University endowed fund, program, or center, as well as any Boston University space or facility, requires formal approval by the Executive Committee of the Board of Trustees. The specifics of our naming program are as follows:

Named Spaces and Facilities

Donors are afforded the opportunity to have a name permanently associated with a space or facility at the University. The approximate gift amount required to name a space or facility will be roughly one-half of its private construction or renovation cost, to be determined on a case-by-case basis by the President, Provost, Dean, Senior Vice President for Development & Alumni Relations, and Senior Vice President for Operations.

As a general rule, naming takes place when accompanied by gifts received that cover (a) 50% of the fundraising target for the creation of a new space or facility; or (b) 50% of the fundraising target for the renewal or renovation of the space or facility. All such naming requests must be

accompanied by supporting documentation that outlines the amount and terms of the gift and the specific space or facility to be named.

Named Endowment Funds

In addition to other naming opportunities, many donors elect to name endowments to honor a family member, faculty member, or other person(s); to preserve the name of their family foundation; or to establish a personal legacy.

Current approved minimum funding levels required to establish a specific type of endowed fund at Boston University are as follows:

Table 12
Minimum Funding Levels for Endowed Funds

Scholarship Fund	\$100,000
Fellowship Fund	\$100,000
Lectureship Fund	\$100,000
Full Tuition Scholarship	\$1 Million
Librarianship	\$1 Million
Visiting Professorship	\$1 Million
Career Development Professorship	\$1.25 Million
Professorship (current faculty position; initiated when \$1.25M received)	\$2.5 Million
Coachship	\$3 Million
Incremental Professorship (new faculty position)	\$4 Million
Deanship	\$5 Million

CONFLICTS OF INTEREST

QUESTION 13:

What conflict of interest policies does your college or university have in place to address financial interest in endowment investments (including potential conflicts of interest among and between governing boards, trustees, executives, internal employees tasked with overseeing the endowment, and external asset managers of endowment assets)?

The University has two policies in place to address financial interest in endowment investments. First, there is a general Conflict of Interest Policy (“University-wide COI Policy”) that applies to all Boston University trustees, officers, and employees, as well as other representatives. The current version of that policy is attached as Appendix B.

The University-wide COI Policy states that “A conflict of interest exists when a University representative’s direct or indirect personal interests are inconsistent with or interfere in any way with the best interests of the University.”

To minimize the possibility of such conflicts, the University-wide COI Policy states that, as a general rule, the University will not engage in business or financial relationships with trustees or officers. Exceptions to this prohibition are permitted only if a business or financial relationship between the University and any trustee or officer, or a member of his or her immediate family, or any entity with which a trustee or officer or a member of his or her immediate family is affiliated (a) has been thoroughly reviewed and considered by the Audit Committee; and (b) has been found to be of clear benefit to the University.

For purposes of this provision, officers include the president, vice presidents, provosts, and deans.

With regard to endowment investments, the University-wide COI Policy prohibits a trustee or officer, or a member of his or her immediate family, from knowingly investing directly in any business, investment fund, limited partnership, separate account, commingled account, mutual fund, or other vehicle (“Investment Vehicle”) in which the University has a material financial interest.

Likewise, except with the prior approval of the Audit Committee, the University is prohibited from knowingly investing directly in an Investment Vehicle in which a trustee or officer, or a member of his or her immediate family, has a material financial interest.

For purposes of these provisions, a “material financial interest” means a role as general or managing partner, management-level employee, owner or sponsor of the investment firm, or an ownership interest of greater than 5% in the Investment Vehicle.

The University also has an Investment Conflict of Interest Policy (“Investment COI Policy”) that is specific to “Investment Employees” and “Investment Persons” as defined in that policy. The Investment COI Policy supplements but does not replace the University-wide COI Policy. A complete copy of the Investment COI Policy is attached as Appendix C. That policy states in relevant part as follows:

The Investment Committee of the Boston University Board of Trustees has fiduciary responsibility for investing, managing, and overseeing the University's endowment. In carrying out these responsibilities, the Investment Committee works closely with, and relies upon, the Chief Investment Officer; the Senior Vice President, Chief Financial Officer, and Treasurer; and other employees of the Investment Office and the Treasury Office who are involved in the investment, management, and oversight of the University's endowment and other invested funds (collectively, "Investment Employees"). Trustee and non-trustee members of the Investment Committee and Investment Employees are collectively referred to as "Investment Persons" to whom this policy applies. This policy does not apply to actions taken prior to its adoption.

The Investment COI Policy states that all Investment Persons are subject to the provisions of the University-wide COI Policy.

The Investment COI Policy contains the following additional restrictions regarding Investment Employees:

No Investment Employee, or a member of his or her immediate family, may knowingly invest directly in:

- Any non-publicly traded Investment Vehicle in which the University has a financial interest, regardless of its materiality.
- Any Investment Vehicle in which any trustee or non-trustee Investment Committee member, or a member of her immediate family, has a material financial interest as defined above.
- Securities in an initial public offering (IPO) that are extended to an Investment Employee, without prior disclosure to and approval of the Audit Committee.

The foregoing restrictions and disclosure requirements pertaining to personal investments by Investment Employees apply to personal accounts as well as to accounts over which the Investment Employee has control or the ability to influence investment decisions.

The following investments by any Investment Person are prohibited:

- Any investment made prior to the execution of a University transaction whereby the Investment Person benefits from advance knowledge of the University's transaction.
- Any investment based upon "inside" or material, nonpublic information, characterized generally as information which has not been disclosed to the public relating to a company's or entity's business operations or securities, the public dissemination of which would likely affect the market price of any of its securities or would likely be considered important by a reasonable investor in determining whether to buy, sell, or hold the securities.

Additional provisions of the Investment COI Policy are as follows:

- The University will not retain as an investment consultant or advisor any member of the Investment Committee or any firm or other entity in which such person, or a member of his or her immediate family, has a material financial interest.
- All financial and other information presented to, or learned in connection with, the Investment Committee shall be kept confidential with respect to persons outside of the University unless otherwise determined by the Investment Committee or the Audit Committee, or as otherwise required by law.
- On occasion, an Investment Person may serve on the board of directors or investment committee of, or in some other capacity owe a fiduciary duty to, another nonprofit organization (the “Other Organization”). In the event that the Investment Committee is considering an investment action as to which the University’s best interests might conflict with the interests of the Other Organization, the Investment Person in question must disclose all pertinent information to the Audit Committee and the Investment Committee and refrain from participating in the Investment Committee’s consideration of the matter, except to respond to questions or to provide further information. If the matter requires a vote, the Investment Person should not be present at the time of the vote.

How do you vet board members' potential conflicts of interest? What are your policies if a conflict arises with a member of the board of trustees?

The Audit Committee of the Board of Trustees is responsible for the administration of both the University-wide COI Policy and the Investment COI Policy. The Audit Committee consists entirely of persons who have no business or financial relationship with the University.

All trustees are required to disclose on the University’s Conflict of Interest Disclosure Form any business or financial relationship they or members of their immediate families have or propose to have with the University, either directly or through another entity in which they have a significant interest. A business or financial relationship includes the sale or acquisition of goods, property, or services; the commitment of resources to a common venture; or, in the case of a member of one’s immediate family, an employment relationship. A significant interest in another entity includes service as a trustee, director, partner, or management-level employee; the actual or beneficial ownership of more than 5% of the entity; or a compensation arrangement that is dependent upon a business or financial relationship with the University.

The disclosure form is filed annually and an amended form must be filed promptly in the event of a material change in circumstances. If a trustee is uncertain whether to disclose a particular business or financial relationship, the Chairman of the Audit Committee or the University’s Vice President and General Counsel should be consulted.

A trustee must provide advance written disclosure of any proposed business or financial relationship covered by the University-wide COI Policy to the Chairman of the Audit Committee. The Audit Committee must thoroughly review the proposed relationship or transaction and make an independent determination that it is of clear benefit to the University and may therefore be entered into or continued. Such a determination is set forth in a written report of the Audit Committee signed by the chairman and a majority of the committee.

With respect to the administration of the Investment COI Policy, in the event that a quorum of the Audit Committee is unavailable and immediate action is required, the chairman of the committee is empowered to take such action as may be necessary or appropriate under the circumstances. The chairman is required to report any such action to the Audit Committee as soon as practicable, but in any event no later than its next meeting.

In all circumstances, the trustee who has disclosed a potential conflict of interest must refrain from participating in University decision making with respect to any transaction or relationship in which he or she is interested, except to respond to questions or to provide further information. If a transaction or relationship requires a vote, the interested party should not be present at the time of the vote.

Pooled Endowment Income Distribution Policy

Effective May 19, 2011

Shares (Units)

To manage and track the use of its endowment, Boston University maintains specific, or named, funds. Most of these specific named funds own shares (or units) in the endowment's consolidated investment pool – referred to as the Pooled Endowment. A small portion of the endowment is invested separately, typically due to donor restrictions, and does not own shares in the pool. Beginning in fiscal year 2012, at the end of each month the University will calculate the current market value per share of the Pooled Endowment by dividing the total market value of the consolidated pool by the total number of pool shares. New gifts to the endowment will buy shares in the consolidated pool at the month end share price in the month of the gift.

Endowment Income Distribution

Every endowed fund that owns shares in the Pooled Endowment receives an annual payout, or distribution, based on the number of shares it owns. Beginning with the fiscal year 2012 distribution, Boston University will announce the endowment distribution that will apply during the upcoming fiscal year by the end of May each year.

Current University policy has set the authorized distribution rate at 4% of the “Applicable Market Value” subject to management's review of circumstances and Trustee Executive Committee approval to adopt an “Effective Distribution” within a range of 3% to 5% of the December 31 market value per share of the pooled endowment.

The “Applicable Market Value” is defined as the average of the quarterly market values per share of the pooled endowment for the preceding 20 calendar quarters as of December 31. In other words, the payout for fiscal year 2012 (beginning July 1, 2011) is based on the average quarterly market values per share for calendar years 2006, 2007, 2008, 2009, and 2010. Subsequent to the end of the first calendar quarter of each year, the University will calculate a distribution per share by multiplying the “Applicable Market Value” of the pooled endowment by the authorized distribution rate of 4% to be reviewed by management for recommendation and approval of an “Effective Distribution” within a range of 3% to 5% by the Trustee Executive Committee.

“Effective Distribution” is defined as the per share income distribution from the pooled endowment divided by the ending period (December 31) per share market value of the pooled endowment.

The endowment distribution per share is distributed to each Pooled Endowment share outstanding beginning at the start of the fiscal year. Beginning in July 2011 (fiscal year 2012), the income will be distributed monthly in an amount equal to 1/12th of the calculated annual distribution per share.

In order to protect the full value of new principal in a volatile market, a newly funded endowment will not receive a payout until the 7th month following receipt of the gift. Income attributable to these new shares will be reinvested to principal during this initial six-month period. The amount distributed/reinvested will be based on the annual payout rate per share. This approach provides for protection of principal during periods of near term volatility and allows potential near term growth/cushion in corpus prior to beginning income distribution.

**Boston University
Conflict of Interest Policy
(As amended through April 15, 2015)**

1. Scope

This policy applies to all Boston University trustees, officers, and employees, as well as other University representatives.

2. Fiduciary Responsibilities

Trustees, officers, employees, and other representatives of Boston University serve the public trust and are required to fulfill their responsibilities with care and loyalty. All decisions and actions of the board and the administration are to be made for the sole purpose of advancing the best interests of the institution and the public good. The integrity of Boston University must be protected at all times, and the fiduciary relationship of trustees, officers, employees, and other representatives to Boston University must be respected in both actuality and appearance.

A conflict of interest exists when a University representative's direct or indirect personal interests are inconsistent with or interfere in any way with the best interests of the University.

Through this policy, the Board of Trustees intends to implement the highest possible ethical standards and to establish that the University will not tolerate conflicts of interest. The Board, through its Audit Committee, will administer this policy strictly, with complete transparency, and in accordance with the following principles:

- In general, it is the policy of the University that it will not engage in business or financial relationships with trustees or officers (for purposes of this policy, the president, vice presidents, provosts, and deans).
- No business or financial relationship between the University and any trustee or officer, or a member of his or her immediate family, or any entity with which a trustee or officer or a member of his or her immediate family is affiliated, will be permitted unless it has been thoroughly reviewed and considered by the Audit Committee and has been found to be of clear benefit to the University.
- No trustee or officer, or a member of his or her immediate family, may knowingly invest directly in any business, investment fund, limited partnership, separate account, commingled account, mutual fund, or other vehicle ("Investment Vehicle") in which the University has a material financial interest. Except with the prior approval of the Audit Committee, the University will not knowingly invest directly in an Investment Vehicle in which a trustee or officer, or a member of his or her immediate family, has a material financial interest. For purposes of this provision, "material financial interest" means a role as general or managing partner, management-level employee, owner or sponsor of the investment firm, or an ownership interest of greater than 5% in the Investment Vehicle.

- Any proposed business or financial relationship between the University and an honorary trustee or overseer, or a member of his or her immediate family, or any entity with which the honorary trustee or overseer or a member of his or her immediate family is affiliated, is subject to the prior review and approval of the President.
- Any proposed business or financial relationship between the University and an employee or other representative, or a member of his or her immediate family, or any entity with which the employee or other representative or a member of his or her immediate family is affiliated, is subject to the prior review and approval of a Compliance Committee consisting of the University Provost; the Medical Campus Provost; the Vice President and General Counsel; the Senior Vice President, CFO, and Treasurer; the Senior Vice President for Operations; the Senior Vice President, Senior Counsel, and Board Secretary; the Associate Vice President for Internal Audit; the Associate Vice President for Compliance; the Chief Human Resources Officer; and such other members as may be appointed by the President. The Compliance Committee shall report to and be subject to the oversight of the Audit Committee.
- Any offer of full-time employment to a member of the immediate family of a trustee or officer, or a selected employee or other representative, is subject to the prior review and approval of the President.
- Any trustee, officer, employee, or other representative who serves at the University's request as a director, officer, employee, or other agent of another organization shall turn over to the University any compensation received from such other organization for such service.

3. Procedures

Effective implementation of this policy requires, first, the full disclosure of individual interests that might conflict with the best interests of the University. Second, the interested trustee, officer, employee or other representative must refrain from participating in University decision making with respect to any transaction or relationship in which he or she is interested. Finally, an independent determination must be made that the transaction or relationship meets the applicable standard and should be entered into or continued.

(a) Disclosure

All trustees, officers, and selected employees and other representatives are required to disclose on the Conflict of Interest Disclosure Form any business or financial relationship they or members of their immediate families have or propose to have with the University, either directly or through another entity in which they have a significant interest. The disclosure form is to be filed annually; an amended form must be filed promptly in the event of a material change in circumstances. A trustee or officer shall provide advance written disclosure of any proposed business or financial relationship covered by this policy to the Chairman of the Audit Committee, and an employee or other representative shall provide advance written disclosure of any such relationship to the Compliance Committee.

The following guidelines are provided to help trustees, officers, employees, and other representatives determine whether a relationship should be disclosed:

- A business or financial relationship includes the sale or acquisition of goods, property, or services; the commitment of resources to a common venture; or, in the case of a member of one's immediate family, an employment relationship. It does not include attending Boston University as a student.
- A member of one's immediate family means (1) a spouse; (2) a child, grandchild, parent, grandparent, sibling, uncle, aunt, nephew, or niece, or the spouse of any such person; (3) a person having a step-relationship described in (2) above; (4) a parent-in-law or a brother- or sister-in-law; or (5) any other person who resides in the same household as the trustee, officer, or employee.
- A significant interest in another entity includes service as a trustee, director, partner, or management-level employee; the actual or beneficial ownership of more than 5% of the entity; or a compensation arrangement that is dependent upon a business or financial relationship with the University.

The foregoing guidelines are not intended to be exclusive; other relationships or interests that might conflict with the best interests of the University should also be disclosed. If a trustee, officer, employee, or other representative is uncertain whether to disclose a particular business or financial relationship, the Chairman of the Audit Committee or the University's Vice President and General Counsel should be consulted.

(b) Restraint on Participation

Trustees, officers, employees, and other representatives who have disclosed a potential conflict of interest shall refrain from participating in the University's consideration of any proposed business or financial relationship in which he or she is interested, except to respond to questions or to provide further information. If a transaction or relationship requires a vote, the interested party should not be present at the time of the vote.

(c) Approval of Business or Financial Relationship

The Audit Committee will determine whether a business or financial relationship involving a trustee or officer should be entered into or continued. In the case of any such relationship involving a trustee, such a determination shall be set forth in a written report of the Audit Committee signed by the Chairman and a majority of the Committee, and provided to the Board of Trustees. The Compliance Committee will determine whether a business or financial relationship involving an employee or other representative should be entered into or continued. The Compliance Committee shall provide such reports as may be requested by the Audit Committee and may request advice or direction from the Audit Committee.

Investment Conflict of Interest Policy

Approved March 9, 2010

The Investment Committee of the Boston University Board of Trustees has fiduciary responsibility for investing, managing, and overseeing the University's endowment. In carrying out these responsibilities, the Investment Committee works closely with, and relies upon, the Chief Investment Officer; the Senior Vice President, Chief Financial Officer, and Treasurer; and other employees of the Investment Office and the Treasury Office who are involved in the investment, management, and oversight of the University's endowment and other invested funds (collectively, "Investment Employees"). Trustee and non-trustee members of the Investment Committee and Investment Employees are collectively referred to as "Investment Persons" to whom this policy applies. This policy does not apply to actions taken prior to its adoption.

This policy supplements the Boston University Conflict of Interest Policy (<http://www.bu.edu/ethics/files/2015/04/Conflict-of-Interest-Policy.pdf>) as amended from time to time. That policy provides in pertinent part as follows:

No trustee or officer, or a member of his or her immediate family, may knowingly invest directly in any business, investment fund, limited partnership, separate account, commingled account, mutual fund, or other vehicle ("Investment Vehicle") in which the University has a material financial interest. The University will not knowingly invest directly in an Investment Vehicle in which a trustee or officer, or a member of his or her immediate family, has a material financial interest. For purposes of this provision, "material financial interest" means a role as general or managing partner, management-level employee, owner or sponsor of the investment firm, or an ownership interest of greater than 5% in the Investment Vehicle.

The foregoing provision also applies with respect to all Investment Persons.

Further, no Investment Employee, or a member of his or her immediate family, may knowingly invest directly in:

- Any non-publicly traded Investment Vehicle in which the University has a financial interest, regardless of its materiality.
- Any Investment Vehicle in which any trustee or non-trustee Investment Committee member, or a member of her immediate family, has a material financial interest as defined above.
- Securities in an initial public offering (IPO) that are extended to an Investment Employee, without prior disclosure to and approval of the Audit Committee.

The foregoing restrictions and disclosure requirements pertaining to personal investments by Investment Employees apply to personal accounts as well as to accounts over which the Investment Employee has control or the ability to influence investment decisions.

The following investments by any Investment Person are prohibited:

- Any investment made prior to the execution of a University transaction whereby the Investment Person benefits from advance knowledge of the University's transaction.
- Any investment based upon "inside" or material, nonpublic information, characterized generally as information which has not been disclosed to the public relating to a company's or entity's business operations or securities, the public dissemination of which would likely

affect the market price of any of its securities or would likely be considered important by a reasonable investor in determining whether to buy, sell, or hold the securities.

The University will not retain as an investment consultant or advisor any member of the Investment Committee or any firm or other entity in which such person, or a member of his or her immediate family, has a material financial interest.

All financial and other information presented to, or learned in connection with, the Investment Committee shall be kept confidential with respect to persons outside of the University unless otherwise determined by the Investment Committee or the Audit Committee, or as otherwise required by law.

On occasion, an Investment Person may serve on the board of directors or investment committee of, or in some other capacity owe a fiduciary duty to, another nonprofit organization (the "Other Organization"). In the event that the Investment Committee is considering an investment action as to which the University's best interests might conflict with the interests of the Other Organization, the Investment Person in question must disclose all pertinent information to the Audit Committee and the Investment Committee and refrain from participating in the Investment Committee's consideration of the matter, except to respond to questions or to provide further information. If the matter requires a vote, the Investment Person should not be present at the time of the vote.

The Audit Committee of the Board of Trustees is responsible for the administration of this Investment Conflict of Interest Policy, including making provision for exceptions in appropriate cases. In the event that a quorum of the Audit Committee is unavailable and immediate action is required, the chairman of the Committee may take such action as may be necessary or appropriate under the circumstances. The chairman shall report any such action to the Audit Committee as soon as practicable, and in any event no later than its next meeting.